

90 Debt Service Funds-At a Glance

Mission To accumulate funds to repay principal (money borrowed) and interest due on general obligation bonds and notes issued by the government to finance capital projects (land, buildings, equipment, etc.) with lives greater than one year. Three funds are used to account for this debt:

25104 Schools Debt Service Fund
 20115 GSD Debt Service Fund
 28315 USD Debt Service Fund

Budget Summary

	2012-13	2013-14	2014-15
Expenditures and Transfers:			
Debt Service Funds	\$ 165,087,000	\$ 202,953,700	\$ 217,840,000
Total Expenditures and Transfers	<u>\$ 165,087,000</u>	<u>\$ 202,953,700</u>	<u>\$ 217,840,000</u>
Revenues and Transfers:			
Program Revenue			
Charges, Commissions, and Fees	\$ 0	\$ 0	\$ 0
Other Governments and Agencies	2,725,900	2,292,200	2,380,500
Other Program Revenue	0	0	0
Total Program Revenue	<u>\$ 2,725,900</u>	<u>\$ 2,292,200</u>	<u>\$ 2,380,500</u>
Non-program Revenue	142,388,500	162,481,200	163,467,800
Transfers From Other Funds and Units	19,972,600	20,213,400	51,991,700
Total Revenues	<u>\$ 165,087,000</u>	<u>\$ 184,986,800</u>	<u>\$ 217,840,000</u>
Expenditures Per Capita	\$ 263.43	\$ 319.37	\$ 336.02

Positions Total Budgeted Positions 0 0 0

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These funds are administered by the Department of Finance, and have no separate organization chart.

Debt Service Expenditures by District & Fund

<u>Source Description</u>	<u>FY 2013 Budget</u>	<u>FY 2013 Actual</u>	<u>FY 2014 Budget</u>	<u>FY 2015 Budget</u>
GSD - General Services District				
20115 GSD Debt Service	\$ 99,637,600	\$ 92,791,500	\$108,633,000	\$120,997,300
25104 MNPS Debt Service	<u>53,573,400</u>	<u>51,364,400</u>	<u>69,624,400</u>	<u>76,356,000</u>
Total GSD	\$153,211,000	\$144,156,000	\$178,257,400	\$197,353,300
USD - Urban Services District				
28315 USD Debt Service	<u>\$ 15,426,000</u>	<u>\$ 14,190,000</u>	<u>\$ 24,696,300</u>	<u>\$ 20,486,700</u>
Total USD	\$ 15,426,000	\$ 14,190,000	\$ 24,696,300	\$ 20,486,700
Total General Obligation Debt Service - GSD+USD	<u>\$168,637,000</u>	<u>\$158,345,900</u>	<u>\$202,953,700</u>	<u>\$217,840,000</u>

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Budget Highlights FY 2015

The recommended budget services outstanding debt issues in addition to projects recommended in the FY 2014 capital plan based on the current tax rate. Currently, Metro has approximately \$765,628,000 in un-issued general obligation bonds authorized for capital plans in Fiscal Years 2010 through 2014 after the de-authorization of some projects in 2009. The current budget reflects the continued funding of these outstanding authorizations at historical spending levels.

Overview

Debt Financing: Periodically, Metro borrows money to undertake selected capital improvements that are included in the Capital Plan by issuing (or selling) bonds and notes, which are written promises to repay the debt at certain times and with certain interest to bondholders/investors. The specific improvements to be financed are listed in the legislation that authorizes the debt. The proceeds from the sale of the debt are used to pay for those improvements.

Debt service is the process of repaying those bonds and notes, and their interest, over time to bondholders/investors. A small portion of the principal is repaid each year between issuance and maturity. This approximately matches the maturity dates of bonds to the lives of the projects they fund, and keeps Metro from having to make a big payment at one time to make a capital improvement.

Metro does not issue long-term notes and bonds to finance operating expenditures or deficits.

Types of debt: Debt generally falls into the following categories:

- General obligation (GO) debt is payable from taxes, and is backed by the full faith, credit, and taxing power of the government. There is no legal limit to Metro's use of general obligation debt, although issuance requires passage of a Council ordinance. Only general obligation debt is repaid from the three debt service funds (25104, 20115, and 28315).
- Revenue debt is often used to finance projects that will generate revenue. Part of the revenue generated by a project is used to service the debt on the project. It is accounted for through the enterprise or internal service fund that develops the capital project and receives its revenues.
- Limited obligation revenue debt is a newer hybrid form that normally operates as revenue debt, but is backed by certain non-property-tax revenues (defined in the bond covenants) in the event that there are not sufficient revenues to service the debts.

Interest earned by our bondholders/investors is generally held to be exempt from federal and Tennessee taxation.

Structure: Metro's outstanding debt takes three forms:

- Bonds - Long-term debt that usually matures over a period of 20-30 years.
- Notes - Shorter-term debt that is issued for three years, renewable for an additional two terms of three years each. The usual total maturity is 3 to 5 years.
- Commercial paper - Short-term GO obligations with flexible maturities ranging from 2 to 270 days, is issued as cash is needed in blocks of \$100,000 plus

\$1,000 increments. Interest rates are usually lower than bond interest rates.

Notes and commercial paper often provide temporary financing and are retired by issuing longer-term bonds.

Many bonds have "call" provisions that allow Metro to redeem the debt before its scheduled maturity. This is most often done when the debt being called is refunded by issuing new debt for the same period of time but at lower interest rates. The lower interest costs save Metro money over the remaining life of the bond issue.

Legal Limitations: There is no legal debt margin limitation on GSD debt. Section 7.08 of the Charter limits the USD total net bonded indebtedness payable from USD ad valorem taxes, after deduction of sinking funds for the payment of principal, to 15% of the USD assessed valuation of taxable property. At June 30, 2009, the taxable property was valued at \$11.211 billion, so the 15% limit was \$1.682 billion. With only \$144.05 million of applicable debt (1.25% of valuation), the margin was \$1.541 billion.

Bond Ratings: Metro holds excellent investment-grade ratings from two independent rating agencies (Moody's Aa2 and Standard & Poor's AA). These ratings are based on both the city's financial health and available reserves for paying off debt. Each agency has its own rating system; ratings of the two agencies cannot necessarily be compared to each other. For explanations of the ratings, visit each agency's web site.

Some bonds' scheduled payment of principal and interest is privately insured by Ambac Assurance Corporation, the Financial Guaranty Insurance Company (FGIC), MBIA Insurance or Financial Security Assurance, Inc. (FSA).

Debt Policies: The following guidelines are used in managing debt service funds:

- USD general obligation debt is subject to the legal limitation noted above.
- Debt is not issued above the capacity provided by current revenue sources (including property taxes at the current rate) plus anticipated normal growth; debt is not issued in anticipation of a not-yet-approved property tax increase.
- When planning future debt capacity, normal revenue growth is projected conservatively.
- The financing of an improvement will not exceed its useful life. In a multi-purpose bond package, the package maturities will reflect the mix of project lives funded by the package; the average life of the bonds cannot exceed the average life of the projects.
- General obligation issues are sold either by negotiated sale or by bid in public offering; a bid sale is awarded to the bidder with the lowest true interest cost or through negotiated offering.
- Bond issues may be considered for refunding when lower interest rates on the new bonds will result in a 3% or better net present value savings over the old bonds. The term of the refunding bonds will not exceed the terms of the bonds being refunded.

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Revenue Sources: Revenues for all three funds are detailed in the budget ordinance. The GSD and USD Debt Service Funds (funds 20115 & 28315) are funded primarily by a dedicated portion of the property tax levies. The GSD Debt Service Fund also receives \$3.2 million from the GSD General Fund (fund 10101) for stadium debt, and the Schools Debt Service Fund (fund 25104) receives substantial schools-related sales taxes.

Capital Expenditures and the Budget: The discussion of Capital Improvements in Section A of this book describes how these funds relate to the operating budget.

Recent Bond Issues: The Recent Bond Issues table summarizes recent bond issues. Note that only the general obligation issues are serviced through the GSD, USD, and Schools Debt Service funds; the revenue issues are serviced through non-tax sources. Future debt service requirements are listed on the next page.

Comparative Debt Statistics: The Comparable Debt Statistics table uses standard indicators to measure debt burden levels and trends.

Comparative Debt Statistics

Fiscal Year	Net Debt to Assessed Valuation		Net Debt Per Capita	Debt Service to Total Expenditures
	GSD+USD	USD only		
2001	8.89%	0.60%	1,758.64	9.2%
2002	7.50%	1.08%	1,721.58	9.4%
2003	6.94%	0.94%	1,634.61	10.0%
2004	7.49%	1.06%	1,730.99	9.8%
2005	8.46%	1.10%	1,992.91	9.4%
2006	9.76%	1.16%	2,629.23	9.8%
2007	8.97%	1.15%	2,475.02	10.0%
2008	10.23%	1.36%	2,681.96	10.0%
2009	9.35%	1.25%	2,450.19	10.0%
2010	9.77%	1.16%	2,954.43	9.5%
2011	9.64%	1.14%	2,954.26	8.8%
2012	9.88%	1.31%	2,971.28	4.4%
2013	11.62%	1.41%	3,433.01	6.6%

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Recent Bond Issues						
Issue	Date Issued	Amount & interest rate	Ma-tur-ity	Ratings *	Fund *	Comments *
Water & Sewer Revenue Refunding Bonds, Series 1998B	2/15/98	\$55,000,000 3.600-5.250%	1999 to 2014	(I) M: Aaa S: AAA	--	Water system extensions & improvements. Non-GO.
Sports Authority Taxable Public Facility Revenue Bonds, Series 1998	6/1/98	\$20,700,000 5.910-6.600%	1999 to 2019	M: Aaa	--	Non-GO. Interest is not federal income tax-exempt.
GO Multi-Purpose Improvement Bonds, Series 2001A GO Multi-Purpose Refunding Bonds, Series 2001B	2/15/01	\$262,155,000 5.000-5.500% \$73,745,000 5.000-5.500%	2001 to 2020	M: Aa2 S: AA F: AA+ <u>2014-2018</u> (I) M: Aaa S, F: AAA	S G U	Various projects in the GSD, the USD, and for schools; and to refund various prior bond issues from Series 1994, 1995, 1996, 1996A, and 1997A.
Special Limited Obligation Correctional Facilities Revenue Refunding Bonds, Series 2002	2/01/02	\$16,265,000 3.750-5.000%	2002 to 2011	M: Aa3 S: A+	--	Non-GO. Advance refund of outstanding balance of 1991 Correctional Facility bonds.
GO Energy Production Facility Refunding Bonds, Series 2002A	4/01/02	\$31,065,000 2.000-5.250%	2002 to 2014	M: Aa2 S: AA F: AA+	U	Advance refund of outstanding Energy Production Facility Revenue Bonds Series 1997A, 1997B, and 1994 related to the former Nashville Thermal Transfer Corporation. Interest on the 2002 Series B bonds is not federal income tax-exempt.
GO Energy Production Facility Refunding Bonds, Series 2002B	4/01/02	\$27,000,000 3.000-6.000%	2002 to 2012	M: Aa2 S: AA F: AA+	U	
District Energy System Revenue Bonds 2002 Series A	10/24/02	\$66,700,000 3.000-5.250%	2005 to 2033	M: Aaa S: AAA F: AAA	--	Non-GO. Construction of steam & chilled water generating facilities & improvements to an existing energy distribution system. Ambac-insured.
GO Multi-Purpose Bonds, Series 2004	12/15/04	\$65,755,000 4.000-5.250%	2007 to 2024	M: Aa2 S: AA F: AA+	G U S	Finance the retirement of a portion of the GO TAN commercial paper.
GO Public Improvement Refunding Bonds, Series 2004	09/01/04	\$51,340,000 3.000-5.000%	2004 to 2017	M: Aa2 S: AA F: AA+	G S	Advance refund portions of outstanding GO MP Improvement Bonds, Series 1996A
General Obligation Multi-Purpose Bonds, Series 2005A	05/05/05	\$150,275,000 4.250-5.000%	2005 to 2025	M: Aa2 S: AA F: AA+	G U S	Finance the retirement of a portion of the General Obligation Bond Anticipation Notes (commercial paper). Bonds maturing in 2016-2025 are MBIA-Insured.
General Obligation Multi-Purpose Refunding Bonds, Series 2005B	05/05/05	\$190,460,000 4.000-5.000%	2005 to 2025	M: Aa2 S: AA F: AA+	G U S	Advance refund portions of out-standing bonds: GO MP Series 1997A, GO MP Series 1999, Gen. Improvmt. and Refunding, Series 2001A B, and GO MP Series 2003.
General Obligation Bonds, Series 2005C	11/01/05	\$214,000,000 3.625-5.000%	2005 to 2026	M: Aa2 S: AA F: AA+	G U S	Finance the retirement of a portion of the G O Anticipation Notes (Commercial Paper), and general government projects.
General Obligation Refunding Bonds, Series 2006A	05/11/06	\$60,805,000 3.60%	2006 to 2026	M: Aa2/VMIG1 S: AA/A-1 F: AA+/F1+	G	Current Refund of outstanding general obligation public improvmt bonds, Series 1996 held in interest rate hedging agreement.
General Obligation Bonds, Series 2006B	06/23/06	\$203,315,000 4.00-5.00%	2006 to 2026	M: Aa S: AA F: AA+	G U S	Finance the retirement of a portion of the G O Anticipation Notes (Commercial Paper), and general government projects.
General Obligation Refunding Bonds, Series 2007A	04/24/07	\$186,890,000 4.00%-5.00%	2008 to 2028	M: Aa2 S: AA F: AA	G U S	Current and Advance refund portions of outstanding bonds: GO Bonds Series 2003, GO MP & Refunding Series 1999, Series 1997A and GO Refunding Series 1997
General Obligation Improvement and Refunding Bonds, Series 2010A	06/10/10	\$296,750,000 2.75 - 5.00%	2010 to 2026	M: Aa1 S: AA	G U S	Finance the retirement of a portion of the G.O Anticipation Notes (Commercial Paper), and advance refund portions of out-standing bonds.

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General Obligation Improvement Bonds Federally Taxable (BAB's), Series 2010B	06/10/10	\$252,005,000 5.71%	2010 to 2034	M: Aa1 S: AA	G U S	Finance the retirement of a portion of the General Obligation Anticipation Notes (Commercial Paper), and general government projects.
General Obligation Refunding Bonds Federally Taxable (BAB's), Series 2010C	06/10/10	\$51,485,000 2.21 - 3.23%	2010 to 2015	M: Aa1 S: AA	G U S	Advance refund portions of outstanding bonds.
General Obligation Refunding Bonds, Series 2010D	09/21/10	\$291,360,000 1.50 - 5.00%	2010 to 2024	M: Aa1 S: AA	G U S	Advance refund portions of outstanding bonds.
Water and Sewer Revenue Refunding Bonds, Series 2010A	12/9/10	\$104,050,000 3.00 - 5.00%	2010 to 2027	M: Aa3 S: AA	--	Non-GO. Advance refund portions of outstanding W&S Revenue Refunding Bonds.
Water and Sewer Revenue Bonds Federally Taxable, Series 2010B (BAB-Direct Payment)	12/9/10	\$135,000,000 6.39 - 6.57%	2010 to 2037	M: Aa3 S: AA	--	Finance the retirement of currently outstanding W&S Commercial Paper Bond Anticipation Notes and finance additional capital projects.
Water and Sewer Revenue Bonds Federally Taxable Series 2010C (Recovery Zone Economic Dev. Bonds)	12/9/10	\$75,000,000 6.69%	2010 to 2041	M: Aa3 S: AA	--	Finance Water system capital projects.
Water and Sewer Revenue Refunding Bonds Federally Taxable Series 2010D	12/9/10	\$7,610,000	2010 to 2018	M: Aa3 S: AA	--	Non-GO. Advance refund portions of outstanding W&S Revenue Refunding Bonds.
General Obligation Refunding Bonds, Series 2011	09/29/11	\$89,480,000 2.00 - 5.00%	2011 to 2023	M: Aa1 S: AA	G U S	Advance refund portions of outstanding bonds.
General Obligation Refunding Bonds, Series 2012	02/02/12	\$227,110,000 2.00 - 5.00%	2012 to 2025	M: Aa1 S: AA	G U S	Advance refund portions of outstanding bonds.
Water and Sewer Revenue Refunding Bonds, Series 2012	02/02/12	\$129,625,000 1.00 - 5.00%	2012 to 2023	M: A1 S: A+	--	Non-GO. Advance refund portions of outstanding W&S Revenue Refunding Bonds.
General Obligation Improvement Bonds Federally Taxable, Series 2012	08/15/12	\$6,440,000 3.367%	2027	M: Aa1 S: AA	G	Finance the costs of certain public projects of the Metropolitan Government for qualified energy conservation improvements.
District Energy System Revenue and Tax Refunding Bonds, Series 2012A	08/15/12	\$47,450,000 2.00 - 5.00%	2013 To 2033	M: Aa1 S: AA	U	Advance refund of outstanding Energy Production Facility Revenue Bonds.
General Obligation Refunding Bonds, Series 2012B	08/15/12	\$140,345,000 .320 - 2.76%	2013 To 2024	M: Aa1 S: AA	G U S	Advance refund portions of outstanding bonds.
General Obligation Refunding Bonds, Series 2013	02/21/13	\$245,485,000 2.00 - 5.00%	2015 To 2027	M: Aa1 S: AA	G U S	Advance refund portions of outstanding bonds.
Water and Sewer Revenue Bonds, Series 2013	04/25/13	\$237,930,000 3.00 - 5.00%	2022 To 2033	M: Aa3 S: AA-	--	Retire outstanding Water and Sewer commercial paper and to fund a debt reserve fund.
General Obligation Improvement Bonds, Series 2013A	05/09/13	\$374,665,000 3.00 - 5.00%	2020 To 2033	M: Aa1 S: AA	G U S	Retire outstanding General Obligation Commercial paper, and to finance capital projects.
<p>* Ratings: M = Moody's, S = Standard & Poor's, F = Fitch, I = Insured (see text). Maturity dates are <u>underlined</u>. Fund: This code shows the debt service fund(s) used to repay this issue. G = GSD, U = USD, S = Schools. Comments: Non-GO = Not a general obligation debt, but included in this table for completeness.</p>						

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GENERAL OBLIGATION BONDS PAYABLE
General Services District (GSD)

Bonds and Notes Payable at June 30, 2013

For General Purposes:	Interest Rate	Date of Issue	Date of Final Maturity	Amount of Issue	June 30, 2013	
					Principal	Interest
GSD G.O. Multi-Purpose Bonds, Series 2004	5.00 - 5.25	July 15, 2004	Jun. 1, 2024	33,825,000	1,680,000	88,645
GSD G.O. Pub Impr. Refunding Bonds, Series 2004	3.250 - 5.00	Sept. 1, 2004	Nov. 14, 2016	48,367,055	25,153,880	2,593,582
GSD G.O. Multi-Purpose Bonds, Series 2005A	4.250 - 5.25	May 1, 2005	Jan. 1, 2025	49,817,419	6,904,215	701,642
GSD G.O. MP Refunding Bonds, Series 2005B	4.125 - 5.00	May 1, 2005	Jan. 1, 2020	107,433,445	38,943,489	4,249,857
GSD G.O. Multi-Purpose Bonds, Series 2005C	3.625 - 5.00	Nov. 1, 2005	Feb. 1, 2026	150,292,131	13,087,355	989,539
GSD G.O. Bonds, Series 2006B	4.00 - 5.00	Jun.15, 2006	Feb. 1, 2026	113,783,394	19,981,979	1,846,318
GSD G.O. Refunding Bonds, Series 2007A	4.00 - 5.00	April 15, 2007	May 15, 2030	125,908,003	83,845,000	34,833,392
GSD G.O. Bonds, Series 2008A	4.00 - 5.00	Mar. 15, 2008	Jan. 1, 2028	174,880,074	12,781,008	2,996,525
GSD G.O. Improvement and Refunding Bonds, Series 2010A	2.75 - 5.00	Jun.10, 2010	July 1, 2026	159,008,728	159,008,728	56,511,632
GSD G.O. Improvement Bonds Federally Taxable (BAB's), Series 2010B	5.71	Jun.10, 2010	July 1, 2034	138,046,756	138,046,756	141,261,957
GSD G.O. Refunding Bonds Federally Taxable (BAB's), Series 2010C	2.21 - 3.23	Jun.10, 2010	July 1, 2015	25,653,536	25,653,536	1,197,654
GSD G.O. Refunding Bonds, Series 2010D	1.50 - 5.00	Sept. 21, 2010	July 1, 2024	144,150,016	134,297,096	38,586,574
GSD G.O. Refunding Bonds, Series 2011	2.00 - 5.00	Sept. 16, 2011	July 1, 2023	49,712,377	45,924,967	15,860,617
GSD G.O. Refunding Bonds, Series 2012	2.00 - 5.00	Jan. 20, 2012	July 1, 2025	154,956,701	154,956,696	65,861,046
GSD G.O. Improvement Bonds (QECCB), Series 2012	3.367	Aug. 15, 2012	Aug. 1, 2027	6,440,000	6,440,000	3,144,105
GSD G.O. Refunding Bonds, Series 2012B	0.320 - 2.767	Aug. 15, 2012	July 1, 2024	67,480,283	67,480,285	11,203,810
GSD G.O. Refunding Bonds, Series 2013	3.00 - 5.00	Feb. 21, 2012	July 1, 2027	138,755,487	138,755,487	74,994,652
GSD G.O. Improvement Bonds, Series 2013A	3.00 - 5.00	May 9, 2013	Jan. 1, 2033	291,282,448	291,282,447	186,799,365
Total General Obligation Bonds Payable For General Purposes				1,979,792,853	1,364,222,925	643,720,912
For School Purposes:						
GSD G.O. Multi-Purpose Bonds, Series 2004	5.00 - 5.25	July 15, 2004	Jun. 1, 2024	26,170,000	1,320,000	68,452
GSD G.O. Pub Impr. Refunding Bonds, Series 2004	3.250 - 5.00	Sept. 1, 2004	Nov. 14, 2016	2,972,945	1,546,117	159,418
GSD G.O. Multi-Purpose Bonds, Series 2005A	4.250 - 5.25	May 1, 2005	Jan. 1, 2025	79,503,345	11,018,398	1,119,746
GSD G.O. MP Refunding Bonds, Series 2005B	4.125 - 5.00	May 1, 2005	Jan. 1, 2020	77,018,422	27,095,291	2,952,040
GSD G.O. Multi-Purpose Bonds, Series 2005C	3.625 - 5.00	Nov. 1, 2005	Feb. 1, 2026	43,740,078	3,808,862	287,997
GSD G.O. Bonds, Series 2006B	4.00 - 5.00	Jun.15, 2006	Feb. 1, 2026	69,160,188	12,145,511	1,122,337
GSD G.O. Refunding Bonds, Series 2007A	4.00 - 5.00	April 15, 2007	May 15, 2030	58,421,307	38,618,740	15,908,551
GSD G.O. Bonds, Series 2008A	4.00 - 5.00	Mar. 15, 2008	Jan. 1, 2028	95,095,340	6,949,987	1,629,434
GSD G.O. Improvement and Refunding Bonds, Series 2010A	2.75 - 5.00	Jun.10, 2010	July 1, 2026	114,567,598	114,567,598	39,587,801
GSD G.O. Improvement Bonds Federally Taxable (BAB's), Series 2010B	5.71	Jun.10, 2010	July 1, 2034	70,516,649	70,516,649	72,159,028
GSD G.O. Refunding Bonds Federally Taxable (BAB's), Series 2010C	2.21 - 3.23	Jun.10, 2010	July 1, 2015	20,052,863	20,052,863	936,181
GSD G.O. Refunding Bonds, Series 2010D	1.50 - 5.00	Sept. 21, 2010	July 1, 2024	120,126,326	111,915,468	32,155,829
GSD G.O. Refunding Bonds, Series 2011	2.00 - 5.00	Sept. 16, 2011	July 1, 2023	32,574,740	31,477,150	10,056,472
GSD G.O. Refunding Bonds, Series 2012	2.00 - 5.00	Jan. 20, 2012	July 1, 2025	53,280,200	53,280,200	22,645,616
GSD G.O. Refunding Bonds, Series 2012B	0.320 - 2.767	Aug. 15, 2012	July 1, 2024	61,161,564	62,161,564	10,320,738
GSD G.O. Refunding Bonds, Series 2013	3.00 - 5.00	Feb. 21, 2012	July 1, 2027	82,814,365	82,814,365	44,759,560
GSD G.O. Improvement Bonds, Series 2013A	3.00 - 5.00	May 9, 2013	Jan. 1, 2033	53,331,333	53,331,333	54,258,909
Total General Obligation Bonds Payable for School Purposes				1,060,507,263	702,620,096	310,128,110
Total General Obligation Bonds Payable - General Services District				3,040,300,116	2,066,843,021	953,849,022

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GENERAL OBLIGATION BONDS PAYABLE
Urban Services District (USD)

Bonds and Notes Payable at June 30, 2013

	Interest Rate	Date of Issue	Date of Final Maturity	Amount of Issue	June 30, 2013		
					Principal	Interest	
For General Purposes:							
USD G.O. (Tax Exempt) Thermal Refunding Bonds, 2002A	4.250 - 5.25	Apr. 1, 2002	July 1, 2014	31,065,000	5,160,000	274,313	
USD G.O. Multi-Purpose Bonds, Series 2004	5.00 - 5.25	July 15, 2004	Jun. 1, 2024	5,760,000	280,000	15,103	
USD G.O. Multi-Purpose Bonds, Series 2005A	4.250 - 5.25	May 1, 2005	Jan. 1, 2025	13,979,236	1,937,387	196,887	
USD G.O. MP Refunding Bonds, Series 2005B	4.125 - 5.00	May 1, 2005	Jan. 1, 2020	6,008,527	2,151,221	234,603	
USD G.O. Multi-Purpose Bonds, Series 2005C	3.625 - 5.00	Nov. 1, 2005	Feb. 1, 2026	19,967,790	1,738,784	131,464	
USD G.O. Bonds, Series 2006B	4.00 - 5.00	Jun.15, 2006	Feb. 1, 2026	20,371,418	3,577,510	330,570	
USD G.O. Refunding Bonds, Series 2007A	4.00 - 5.00	April 15, 2007	May 15, 2030	2,560,690	1,701,260	704,907	
USD G.O. Bonds, Series 2008A	4.00 - 5.00	Mar. 15, 2008	Jan. 1, 2028	38,024,587	2,779,005	651,541	
USD G.O. Improvement and Refunding Bonds, Series 2010A	2.75 - 5.00	Jun.10, 2010	July 1, 2026	22,899,473	22,899,473	6,847,488	
USD G.O. Improvement Bonds Federally Taxable (BAB's), Series 2010B	5.71	Jun.10, 2010	July 1, 2034	43,441,595	43,441,595	44,453,378	
USD G.O. Refunding Bonds Federally Taxable (BAB's), Series 2010C	2.21 - 3.23	Jun.10, 2010	July 1, 2015	5,488,044	5,488,044	256,213	
USD G.O. Refunding Bonds, Series 2010D	1.50 - 5.00	Sept. 21, 2010	July 1, 2024	25,925,413	24,153,363	6,939,804	
USD G.O. Refunding Bonds, Series 2011	2.00 - 5.00	Sept. 16, 2011	July 1, 2023	6,688,796	6,688,796	2,627,728	
USD G.O. Refunding Bonds, Series 2012	2.00 - 5.00	Jan. 20, 2012	July 1, 2025	18,873,099	18,873,099	8,021,609	
USD G.O. Refunding Bonds, Series 2012B	0.320 - 2.767	Aug. 15, 2012	July 1, 2024	7,471,610	7,471,610	1,240,518	
USD G.O. Refunding Bonds, Series 2013	3.00 - 5.00	Feb. 21, 2012	July 1, 2027	23,915,149	23,915,149	12,925,675	
USD G.O. Improvement Bonds, Series 2013A	3.00 - 5.00	May 9, 2013	Jan. 1, 2033	23,820,773	23,820,773	24,235,081	
Total General Obligation Bonds Payable (governmental activities)				316,261,200	196,077,069	110,086,880	
USD G.O. Multi-purpose Bonds, Series 2005A (Dist. Energy System) (1)	4.250 - 5.25	May 1, 2005	Jan. 1, 2025	7,695,000	1,120,000	113,725	
USD G.O. Improvement & Refunding Bonds, Series 2010A (1)	2.21 - 5.71	Jun.10, 2010	July 1, 2034	274,201	274,201	64,492	
USD G.O. Refunding Bonds Federally Taxable (BAB's), Series 2010C (1)	2.21 - 3.23	Jun.10, 2010	July 1, 2015	290,556	290,556	16,458	
USD G.O. Refunding Bonds, Series 2010D (DES)	1.50 - 5.00	Sept. 21, 2010	July 1, 2024	1,158,245	1,079,077	310,042	
USD G.O. Refunding Bonds, Series 2011 (DES)	2.00 - 5.00	Sept. 16, 2011	July 1, 2023	504,087	504,087	244,311	
USD G.O. Refunding Bonds, Series 2012B	0.320 - 2.767	Aug. 15, 2012	July 1, 2024	3,231,543	3,231,543	536,536	
District Energy System Revenue Refunding Bonds, Series 2012A	2.00 - 5.00	Aug. 15, 2012	Oct. 1, 2033	47,450,000	47,450,000	25,072,425	
USD G.O. Improvement Bonds, Series 2013A	3.00 - 5.00	May 9, 2013	Jan. 1, 2033	6,230,446	6,230,446	6,338,810	
Total General Obligation Bonds Payable (business-type activities)				66,834,078	60,179,910	32,696,799	
Total General Obligation Bonds Payable - Urban Services District				383,095,278	256,256,979	142,783,679	
REVENUE BONDS PAYABLE							
Dept Water and Sew erage Revenue Bonds of 1998B	4.55 - 5.25	Feb. 15, 1998	Jan. 1, 2014	55,000,000	9,065,000	475,912	
Dept Water and Sew erage Rev. Refunding Bonds of 2007	4.25 - 5.00	Jul. 15, 2007	Jan. 1, 2016	36,240,000	24,380,000	1,930,150	
Dept Water and Sew erage Rev. Refunding Bonds of 2008A	3.250 - 5.250	Feb. 15, 2008	Jan. 1, 2022	122,530,000	107,005,000	30,892,450	
Dept Water and Sew erage Rev. Refunding Bonds, Series 2010A	3.00 - 5.00	Dec. 9, 2010	Jul. 1, 2027	104,050,000	104,050,000	39,267,425	
Dept Water and Sew erage Rev. Bonds Fed Taxable, Series 2010B(BABs)	6.393 - 6.568	Dec. 9, 2010	Jul. 1, 2037	135,000,000	135,000,000	113,498,049	
Dept Water and Sew erage Rev. Bonds Fed Taxable, Seies 2010C	6.693	Dec. 9, 2010	Jul. 1, 2041	75,000,000	75,000,000	74,169,099	
Dept Water and Sew erage Rev. Refunding Bonds, Fed Tax Series 2010D	4.255 - 4.791	Dec. 9, 2010	Jul. 1, 2018	7,610,000	7,610,000	1,528,434	
Dept Water and Sew erage Rev. Refunding Bonds, Series 2012	2.00 - 5.00	Jan. 2, 2012	July 1, 2025	129,625,000	127,410,000	40,381,700	
Dept Water and Sew erage Rev. Revenue Bonds, Series 2013	1.89 - 5.00	Apr. 25, 2013	July 1, 2033	237,930,000	237,930,000	239,379,723	
Total Revenue Bonds Payable - Department of Water and Sewerage				902,985,000	827,450,000	541,522,942	
Total Revenue Bonds Payable - Urban Services District				902,985,000	827,450,000	541,522,942	
Total Bonds Payable - Urban Services District				1,286,080,278	1,083,706,979	684,306,621	

90 Debt Service Funds-At a Glance

Future Annual Debt Service Requirements for Debt Outstanding at 06/30/2013

General Obligation Debt (Debt Service Funds)

Fiscal Year	GSD Debt Service			GSD School Debt Service			
	Principal	Interest	Total	Principal	Interest	Total	
2014	52,004,659	56,554,105	108,558,764	32,827,475	30,952,853	63,780,328	
2015	60,734,952	59,505,527	120,240,479	38,585,773	31,384,119	69,969,892	
2016	61,761,556	56,877,217	118,638,773	41,005,098	29,775,913	70,781,011	
2017	65,638,947	53,652,128	119,291,076	45,797,795	27,559,224	73,357,019	
2018	64,572,980	51,196,964	115,769,944	46,659,681	25,832,271	72,491,952	
2019	68,622,521	48,174,274	116,796,795	48,474,525	23,760,222	72,234,748	
2020	74,702,164	45,159,923	119,862,087	41,890,517	21,893,699	63,784,216	
2021	78,297,933	41,751,719	120,049,652	43,346,426	20,025,569	63,371,995	
2022	79,301,393	37,900,656	117,202,049	44,782,417	17,938,864	62,721,282	
2023	87,681,776	33,878,209	121,559,985	43,363,929	15,855,046	59,218,975	
2024	88,233,243	29,719,065	117,952,308	50,960,872	13,711,326	64,672,198	
2025	88,726,393	25,898,622	114,625,015	48,418,639	11,655,503	60,074,143	
2026	77,435,240	22,150,476	99,585,716	40,192,159	9,704,359	49,896,518	
2027	66,790,112	18,622,692	85,412,804	33,295,409	7,906,335	41,201,744	
2028	67,073,388	15,291,512	82,364,900	28,285,380	6,345,248	34,630,628	
2029	39,657,783	12,545,814	52,203,597	15,709,193	5,177,439	20,886,633	
2030	43,398,352	10,666,759	54,065,111	15,145,857	4,202,845	19,348,702	
2031	51,986,624	10,132,463	62,119,087	8,133,039	2,272,096	10,405,134	
2032	54,391,937	7,403,294	61,795,231	8,442,242	1,799,120	10,241,362	
2033	56,916,899	4,548,874	61,465,773	8,764,038	1,308,140	10,072,178	
2034	17,808,774	1,563,129	19,371,903	9,097,027	798,473	9,895,500	
2035	18,485,298	527,490	19,012,788	9,442,605	269,445	9,712,049	
Total	1,364,222,925	643,720,913	2,007,943,837	-	702,620,097	310,128,110	1,012,748,206

90 Debt Service Funds-At a Glance

Future Annual Debt Service Requirements for Debt Outstanding at 06/30/2013

General Obligation Debt (Debt Service Funds)

Fiscal Year	Water Service (USD)			USD Debt Service		
	Principal	Interest	Total	Principal	Interest	Total
2014	30,765,000	34,189,170	64,954,170	10,537,866	11,569,014	22,106,880
2015	31,500,000	36,030,810	67,530,810	12,464,275	12,040,419	24,504,694
2016	20,275,000	34,839,035	55,114,035	9,353,346	11,601,154	20,954,500
2017	28,795,000	33,692,385	62,487,385	11,543,257	11,141,861	22,685,118
2018	37,475,000	32,139,607	69,614,607	13,552,339	10,690,568	24,242,907
2019	38,225,000	30,318,101	68,543,101	13,287,954	10,059,371	23,347,325
2020	39,120,000	28,407,211	67,527,211	11,807,319	9,545,351	21,352,669
2021	40,180,000	26,487,073	66,667,073	12,560,641	9,016,304	21,576,945
2022	40,985,000	24,475,598	65,460,598	12,676,190	8,397,309	21,073,500
2023	31,780,000	22,327,086	54,107,086	13,439,295	7,777,638	21,216,933
2024	22,235,000	21,111,961	43,346,961	15,230,885	7,140,481	22,371,366
2025	15,945,000	20,202,586	36,147,586	15,214,968	6,475,305	21,690,273
2026	16,720,000	19,411,361	36,131,361	13,732,600	5,798,825	19,531,424
2027	17,545,000	18,565,011	36,110,011	14,764,479	5,108,763	19,873,242
2028	18,430,000	17,699,861	36,129,861	14,371,233	4,390,860	18,762,093
2029	19,185,000	16,912,211	36,097,211	11,253,023	3,747,910	15,000,933
2030	19,990,000	16,099,284	36,089,284	11,030,792	3,096,523	14,127,316
2031	20,905,000	15,174,813	36,079,813	7,920,337	1,902,418	9,822,755
2032	21,860,000	14,200,661	36,060,661	8,225,821	1,492,343	9,718,164
2033	22,880,000	13,174,132	36,054,132	8,554,063	1,050,500	9,604,563
2034	23,940,000	12,099,531	36,039,531	8,919,199	574,772	9,493,971
2035	25,055,000	10,974,648	36,029,648	5,817,097	165,990	5,983,087
2036	26,220,000	9,797,040	36,017,040			
2037	27,445,000	8,564,140	36,009,140			
2038	28,720,000	7,289,055	36,009,055			
2039	30,025,000	6,002,672	36,027,672			
2040	31,330,000	4,690,232	36,020,232			
2041	32,680,000	3,325,361	36,005,361			
2042	34,015,000	1,980,006	35,995,006			
2043	16,280,000	1,003,400	17,283,400			
2044	16,945,000	338,900	17,283,900			
Total	827,450,000	541,522,942	1,368,972,942	256,256,979	142,783,679	399,040,658

90 Debt Service Funds-At a Glance

Highlights from the Metropolitan Government of Nashville and Davidson County's Debt Management Policy

The purpose of the Policy is to establish and document the objectives and practices for debt management for the Metropolitan Government and to assist all concerned parties in understanding the Metropolitan Government's approach to debt management.

Policy Statement

In managing its debt, it is the Metropolitan Government's policy to:

- Achieve the lowest cost of capital
- Ensure high credit quality
- Assure access to the capital credit markets
- Preserve financial flexibility
- Manage interest rate risk exposure

Goals & Objectives

Debt policies and procedures are tools that ensure that financial resources are adequate to meet the Metropolitan Government's long-term financing objectives. In addition, the Policy helps to ensure that financings undertaken by the Metropolitan Government satisfy certain clear objective standards which allow the Metropolitan Government to protect its financial resources in order to meet its short-term financing and long-term capital needs. The adoption of clear and comprehensive financial policies enhances the internal financial management of the Metropolitan Government.

Issuance Process

The Metropolitan Government charter, which was approved by referendum on June 28, 1962, as amended, and Title 9, Chapter 21 of the Tennessee Code Annotated authorizes the Metropolitan Government to issue general obligation bonds subject to the adoption of a bond resolution by the Metropolitan Council. Other sections of the Tennessee Code Annotated and the Federal Tax Code may govern the issuance or structure of the Metropolitan Government's bonds.

The Metropolitan Government strongly prefers a competitive issuance process for all debt issuances. The Metropolitan Government will consider a negotiated issuance or private placement process only where it is clear that such process is in the best interests of the Metropolitan Government.

Credit Quality and Credit Enhancement

The Metropolitan Government's debt management activities will be conducted to receive the highest credit ratings possible, consistent with the Metropolitan Government's financing objectives. The Director of Finance will be responsible for maintaining relationships and communicating with the rating agencies that assign

ratings to the Metropolitan Government's debt. The Director of Finance will provide the rating agencies with periodic updates of the general financial condition of the Metropolitan Government. Full disclosure of operations and open lines of communication shall be maintained with the rating agencies. The Metropolitan Government, together with the Financial Advisor, shall prepare presentations to the rating agencies to assist credit analysts in making an informed decision. The Director of Finance shall be responsible for determining whether or not a rating shall be requested on a particular financing, and which of the major rating agencies will be asked to provide such rating.

The Metropolitan Government will make an annual credit presentation to the Metropolitan Council, explaining the Metropolitan Government's current rating, rating agency views on the Metropolitan Government's performance and current items which may positively or adversely affect the Metropolitan Government's credit rating.

The Metropolitan Government will consider the use of credit enhancements on a case-by-case basis, evaluating the economic benefit versus cost for each case. Only when clearly demonstrable savings can be shown shall an enhancement be considered.

Debt Affordability

It is the intent of the Metropolitan Government to promote the most efficient and cost-effective use of debt financing in order to facilitate long-term access to capital while ensuring that financial leveraging decisions do not negatively impact the Metropolitan Government's annual operations. To this end, the government will periodically review basic measures of debt affordability, including but not limited to, average life of new debt, percentage of principal paid within 10 years, per capita debt/per capita income, per capita debt/per capita assessed value, and debt service/general fund operating expenses.

Bond Structure

The Metropolitan Government shall establish all terms and conditions relating to the issuance of bonds, and will invest all bond proceeds pursuant to the terms of the Metropolitan Government's Investment Policy. Unless otherwise authorized by the Metropolitan Government, the following shall serve as bond requirements:

1. **Term.** Capital improvements financed through the issuance of debt will be financed for a period not to exceed the useful life of the improvements with a maximum of twenty (20) years. In certain circumstances where the debt meets legal requirements and is in the best interest of the Metropolitan Government this period may be extended to a maximum of thirty (30) years.

90 Debt Service Funds-At a Glance

2. **Capitalized Interest.** From time to time certain financings may require the use of capitalized interest from the issuance date until the Metropolitan Government has beneficial use and/or occupancy of the financed project. Interest shall not be funded (capitalized) beyond three (3) years or a shorter period if further restricted by statute. Interest earnings may, at the Metropolitan Government's discretion, be applied to extend the term of capitalized interest but in no event beyond the term statutorily authorized or three years, whichever is shorter.
3. **Debt Service Structure.** Debt issuance shall be planned to achieve relatively level debt service for an individual bond issue, while still matching debt service to the useful life of the capital asset financed by the debt. The Metropolitan Government shall avoid the use of bullet or balloon maturities except in those instances where these maturities serve to make existing overall debt service level or match a specific income stream.
4. **Call Provisions.** In general, the Metropolitan Government's securities will include a call feature, which is no later than ten (10) years from the date of delivery of the bonds. The Metropolitan Government will avoid the sale of long-term non-callable bonds absent careful evaluation by the Metropolitan Government with respect to the value of the call option.
5. **Original Issuance Discount/Premium.** Bonds with original issuance discount/premium will be permitted.
6. **Deep Discount Bonds.** Deep discount bonds may provide a lower cost of borrowing in certain markets. The Metropolitan Government will carefully consider their value and effect on any future refinancing as a result of the lower-than-market coupon.
7. **Synthetic Debt.** The Metropolitan Government will consider the limited use of swaps, derivatives and other forms of synthetic debt as a hedge against future interest rate risk when appropriate and in accordance with state guidelines. The Metropolitan Government will not use structured products for speculative purposes. The Metropolitan Government will consider the use of structured products when it is able to gain a comparative borrowing advantage and is able to quantify and understand the potential risks or to achieve fixed and/or variable rate exposure targets.

Types of Debt

When the Metropolitan Government determines that the use of debt is appropriate, the following criteria will be utilized to evaluate the type of debt to be issued.

Structure

1. **General Obligation Bonds.** The Metropolitan Government may issue general obligation bonds

supported by the full faith and credit of the Metropolitan Government. General obligation bonds shall be used to finance capital projects that do not have independent creditworthiness and significant ongoing revenue streams. The Metropolitan Government may also use its general obligation pledge to support other bond issues, if such support improves the economics of the other bond issue and is used in accordance with these guidelines.

2. **Revenue Bonds.** The Metropolitan Government may issue revenue bonds, where repayment of the bonds will be made through revenues generated from other sources. Revenue bonds will typically be issued for capital projects which can be supported from project or enterprise-related revenues.

Duration

1. **Long-Term Debt.** The Metropolitan Government may issue long-term debt where it is deemed that capital improvements should not be financed from current revenues or short-term borrowings. Long-term borrowing will not be used to finance current operations or normal maintenance. Long-term debt will be self-supporting and structured such that financial obligations do not exceed the expected useful life of the project.
2. **Short-Term Debt.** Short-term borrowing may be utilized for construction financing, the temporary funding of operational cash flow deficits or anticipated revenues (defined as an assured source with the anticipated amount based on conservative estimates) subject to the following policies:
 - a) *Bond Anticipation Notes (BANs)* in the form of Commercial Paper shall be used only for the purpose of providing financing for the cost of all or any of the public purposes for which Bonds have been authorized and for the payment of principal of outstanding commercial paper.
 - b) *Revenue Anticipation Notes (RANs) and Tax Anticipation Notes (TANs)* shall be issued only to meet cash flow needs consistent with a finding by bond counsel that the sizing of the issue fully conforms to Federal IRS and state requirements and limitations.
 - c) *Lines of Credit* shall be considered as an alternative to other short-term borrowing options. The lines of credit shall be structured to limit concerns as to the Internal Revenue Code.
 - d) *Other Short-Term Debt* may be used when it provides an interest rate advantage or as interim financing until market conditions are more favorable. The Metropolitan Government will determine and utilize the least costly method for short-term borrowing. The Metropolitan Government may issue short-term debt when there is a defined repayment source or amortization of principal.

90 Debt Service Funds-At a Glance

Refinancing Outstanding Debt

The Director of Finance for the Metropolitan Government, with assistance from the Metropolitan Government's Financial Advisor, shall have the responsibility to analyze outstanding bond issues for refunding opportunities. The Metropolitan Government will consider the following issues when analyzing possible refunding opportunities:

- 1. Debt Service Savings.** The Metropolitan Government establishes a minimum present value savings threshold of 3.5% of the refunded bond principal amount. The present value savings will be net of all costs related to the refinancing. If present value savings is less than 3.5%, the Metropolitan Government may consider the option value captured as a percent of total savings. If the option value exceeds 70% and present value savings is less than 3.5%, the Metropolitan Government may opt to complete a refunding. The decision to take savings on an upfront or deferred basis must be explicitly approved by the Metropolitan Government.
- 2. Restructuring.** The Metropolitan Government will refund debt when it is in the best financial interest of the Metropolitan Government to do so. Such refunding will be limited to restructuring to meet unanticipated revenue expectations, achieve cost savings, mitigate irregular debt service payments, release reserve funds or remove unduly restrictive bond covenants.
- 3. Term of Refunding Issues.** The Metropolitan Government will refund bonds within the term of the originally issued debt. However, the Metropolitan Government may consider maturity extension, when necessary to achieve a desired outcome, provided that such extension is legally permissible. The Metropolitan Government may also consider shortening the term of the originally issued debt to realize greater savings. The remaining useful life of the financed facility and the concept of inter-generational equity should guide this decision.
- 4. Escrow Structuring.** The Metropolitan Government shall utilize the least costly securities available in structuring refunding escrows. A certificate will be provided by a third party agent, who is not a broker-dealer stating that the securities were procured through an arms-length, competitive bid process (in the case of open market securities), that such securities were more cost effective than State and Local Government Obligations (SLGS), and that the price paid for the securities was reasonable within Federal guidelines. Under no circumstances shall an underwriter, agent or financial advisor sell escrow securities to the Metropolitan Government from its own account.
- 5. Arbitrage.** The Metropolitan Government shall take all necessary steps to optimize escrows and to avoid negative arbitrage in its refunding.